

# B E N G A L.

RETURN to an Order of the Honourable The House of Commons,  
dated 14 July 1853:—for,

COPY "of LETTER from the Junior Secretary to the Board of Revenue, to the Secretary to the Government of Bengal, dated Fort William, June 29th, 1852; and, of MINUTE thereupon by the Governor-General, dated September 11th, 1852."

(*Sir John Pakington.*)

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*Ordered, by The House of Commons, to be Printed,*  
*21 July 1853.*

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(No. 686.)

Salt:  
E. M. Gordon, H.  
Ricketts, E. Currie,  
Esqrs.

LETTER from the Junior Secretary to the Board of Revenue to the Secretary to the Government of Bengal.

Sir,

Fort William, 29 June 1862.

I AM directed by the Board of Revenue, in continuation of the annual report on the salt revenue of the Lower Provinces, contained in my letter, No. 676, dated the 29th instant, to submit the following observations relative to the comparative advantages under which, on the one hand, salt manufactured in the Presidency on account of Government, and on the other hand, salt imported into Calcutta by sea, is brought to market, and to the measures it may be necessary to take in order to place the two more nearly on a footing of equality than they are at present.

2. It will be remembered that in 1836, a Select Committee of the House of Commons recommended that the Government should keep their godowns at all times open for the sale of salt at the cost price, the purchaser to pay, in addition, a fixed duty on removing the salt from the godowns, and that permission should be given for the import of foreign salt into Calcutta on payment of the same duty as that levied on salt sold by the East India Company. The Committee observed, that if their recommendations (of which those above mentioned are the essential ones) were fully and fairly carried out, the monopoly of the Company would be reduced to one solely of manufacture, and the difficulties that had previously stood in the way of a fair competition between native and imported salt would be removed.

3. So far as respects the importation of foreign salt, the recommendations of the Select Committee have been "fully and fairly carried out;" but it appears to the Board, and they hope to establish the same to the satisfaction of the Government, that in consequence of the meaning hitherto attached to the ambiguous term "cost price," the salt manufactured on account of Government has been offered for sale at much above legitimate rates, and that hence the consumption of the latter has gradually decreased, until it appears not an improbable contingency, that unless measures be taken to ensure for it that fair competition contemplated by the Select Committee, it will eventually be driven out of the market.

4. The erroneous interpretation of the term "cost price," referred to in the preceding paragraph, arises from confounding the position of Government, as it was before the recommendations of the Committee were carried into effect, with that which the Government has since occupied; in other words, from regarding the Government, instead of the manufacturer, as the local manufacturer. This may have been a correct view of the case in 1836, when a limited supply of salt was annually brought forward and disposed of by the Government at public auction, when the Government realised a profit from the sale of salt independent of the duty, and when the import of foreign salt was virtually prohibited; but now that the Committee's resolutions have been acted upon, it appears to the Board to be altogether and most mischievously erroneous.

5. When the Government had a monopoly of sale as well as manufacture, and could regulate prices at pleasure, it was in its power, first, by lowering prices, to prevent the importation of foreign salt (which even at that time might legally take place on payment of a fixed duty), and then, by raising them again, to derive a profit far in excess of the fixed duty, and limited only by the repressive effect of exorbitant prices on the consumption; under those circumstances, it was clearly the Government who competed with the foreign importer, and in the teeth of such competition no foreign salt could be imported.

6. But when the Government was restricted in its operations, and compelled to sell its salt at a price equal to the fixed duty added to the cost price, it seems evident, on the least reflection, that the position of Government towards the foreign importer was altogether changed; that it ceased to be a matter of the smallest importance to Government (speaking with reference to the salt revenue) whether that revenue was raised by a duty of 325 rupees the 100 maunds on the import of foreign salt, or by selling home-made salt at a price equal to that duty, plus the cost of production; and that the Government, instead of being any longer a competitor, in fact came to hold the balance between the home and the foreign producer, and was bound to regulate its interference for revenue purposes in such a manner as that both should compete on terms of strict equality.

7. This change in the position of the Government appears to the Board to have been lost sight of. The Government was still regarded as the manufacturer, and the competition as between the Government and the foreign importer; and hence it was determined (properly

(properly enough, on that hypothesis) that the cost price should consist of all charges incurred by Government in connexion with the manufacture, calculated on the average of a certain number of years immediately preceding.

8. Thus the home-manufactured salt, besides being burdened with the expense of a Government management, was also charged with a considerable outlay, which though incurred by Government nominally for manufacture, was really incurred for the purposes of collecting the revenue and preventing smuggling.

9. In the Board's opinion, the correct principle which ought then to have been, and now to be adopted, in calculating the prime cost of home-made salt, is to add to the price actually paid to the molanghees so much of the expense incurred by Government in bringing it to market as would be incurred by private individuals or a joint stock company for the same purpose, on the supposition that the salt were manufactured under an excise system, and subject to the restrictions inseparable from that mode of management, the operations of Government being confined to the collection of the fixed duty, and the prevention of illicit dealings.

10. Before proceeding to explain more fully the grounds upon which this opinion rests, the Board desire to refer to the discussions that took place between the authorities in India and the Court of Directors, relative to the fixation of price, and to show how, in consequence chiefly of the mode in which effect has been given to the recommendations of the Select Committee, the manufacture in Bengal has been affected by the import of foreign salt.

11. The Court of Directors, in their despatch, dated 4th January 1837, explanatory of the views as to the manner in which the recommendations of the Select Committee were to be carried out, observed that, "The duty only should be fixed, the price being variable, in relation to the original cost of the salt to Government," and desired that the plan which the Government might propose to carry into effect should be reported for their final sanction.

Mr. Secretary  
Prinsep's letter,  
No. 63, dated  
9 August 1837.

12. Agreeably to instructions issued by Government on the receipt of this despatch, the accountant prepared a statement, showing the average cost and charges per 100 maunds of salt for 10 years, ending on the 30th April 1836, which was submitted to Government with the letter of the late Board of Customs, Salt and Opium, No. 907, dated the 28th September 1840. The Board on that occasion\* (see para. 11) questioned the propriety of including among the expenses of manufacture certain charges which would have to be incurred under any system of management, and referred again to the subject in their letter, No. 912, dated 21st September 1843, paragraph 16.†

13. On the 6th November 1843, the Government, addressing the late Board, observed, "It is obviously desirable, as it is in conformity with the views and instructions of the Honourable the Court of Directors, so to arrange the duty on imported salt, in connexion with the monopoly sale prices and the cost of production, that, on the one hand, the importer shall have no ground to complain that he is more heavily taxed than the home producer; and on the other, that the local manufacture and the interests of those engaged in it shall be in no way prejudiced by the admission of foreign salt on more favourable terms."

14. On the 4th December 1843, the Government transmitted to the late Board extracts from the Honourable Comt's despatch of the 20th December 1843, in which it was explained, that the duty was to be exclusive of "the charges incidental to the manufacture, such as the price paid to the molanghees, surung, and transportation charges, &c., all of which would become extinct in the event of the abolition of the present system of manufacture," but to include "all those charges, such as the maintenance of a preventive establishment, payments to the French and Danish Governments, and others, which would have to be incurred under any system whatever, by which a revenue should be derived from the article of salt."

15. This

\* Extract:

14. This abstract shows the 10 years' average ordinary cost and charges per 100 maunds of Bengal, i.e. Pungah salt. We will first select the Hügelle salt as an example. We find its costs as per statement<sup>2</sup> 99,100, the net sale proceeds are 4,12,610, and the profit 3,20,509. But there is included in the cost certain items which do not appear to us to be chargeable to the manufacturer; as for instance, Mohaira proportion of salt office charges and proportion of Chokey charges; all these charges would equally exist if the manufacture on the part of Government was discontinued, and the revenue collected by a pure excise system, or entirely on the importation of salt by sea.

<sup>2</sup> There is an exception, of no moment, in the case of Cuttack Akhra salt.

<sup>3</sup> The figures are Co.'s Rupees and decimal parts of a rupee.

† Extract:

16. Under these impressions, the course we would desire to adopt, is to arrive at what are the cost and aggregate charges of the several descriptions of salt; but we find a difference of opinion prevailed in 1840 what items were to be regarded, that our Board laid statements before the Government on the 28th September 1840, No. 34, and requested the superior authority to determine, to which no orders have yet been received. Before proceeding therefore beyond the reduction already effected by us, simultaneously with the wishes of your Honor, we would request to be informed whether the opinions expressed by this Board in regard to the cost and charges and net profit have been decided on by Government.

15. This distinction, the Court observed, had been altogether lost sight of by the accountant in the statements prepared for the information of the Board, but as the Board seemed to be fully aware of the importance of maintaining it, the Court expressed their confidence that due care would be taken to distribute the various charges on the salt revenue into the classes to which they properly belonged.

16. In October 1844, the duty on all salt was reduced from 34 rupees to 3 rupees a maund, and the Government at the same time pledged itself not to alter for a certain period the wholesale prices then fixed on the various kinds of salt at the several agency-ghats and the Sulkea ghats. These prices were not based on any calculation of cost, but were those which happened to be fixed at the time by the Board, who, until then, regulated prices according to what they conceived to be the relation of supply to demand.

17. Revised statements for the 10 years ending with 1835-36, were furnished by the accountant on the 14th October 1844, and submitted to Government, with the Board's address of the 8th January 1845. In these statements the following items were assumed to be "charges incidental to manufacture," in the sense intended by the Honourable Court, which were to constitute the "cost price" of the salt.

1. Cost paid to the molungbees.
2. Aurung charges
3. Transportation charges.
4. Khalarree rents.
5. Salary of agents.
6. Charges for transporting salt to Sulkea.
7. Charges for receiving and delivering salt at Sulkea.
8. Cost of establishment at Sulkea.
9. Value of salt lost by accident.

There were also three other items included in the statements; viz., bounty to purchasers, charges for refining damaged salt, and proportion of irrecoverable balances; but these being obsolete, it will be unnecessary to consider.

18. On the 18th November 1846, the Government issued orders on the subject. It appears from the Under Secretary's letter of that date, that on the receipt of the Board's despatch of the 8th January 1845, the Government reviewed the several items of charge set forth in the accountant's statements, and was of opinion that the salary of agents ought not to be charged to the manufacture of salt, but to revenue, "as, in all probability, having to be incurred under any system for purposes of prevention." But as the statements then submitted only brought down the accounts to the 30th April 1836, the accountant was required by Government to prepare fresh statements on the same principle as before; first, for 10 years, ending with 1842-43; and afterwards for three years, ending with 1844-45.

19. In the meanwhile the Court of Directors having received the Board's despatch of the 8th January 1845, with the statements first prepared by the accountant, had addressed the Government in the following terms:

"These statements have been prepared for the purpose of enabling you to carry into effect, as enjoined by us, the recommendation of the Select Committee of the House of Commons, which sat in 1836, that the duty to be imposed should be fixed at the lowest rate consistent with the maintenance of the revenue, and not exceeding the average rate of the net profit of the Company's monopoly for the last 10 years."

"We need only observe, that in these amended statements the salt accountant has rightly understood the principle on which it was our desire that they should be framed; the results above given being arrived at by deducting from the sale proceeds the charges incidental to the manufacture, store, and sale of salt on account of Government, excluding from consideration all charges belonging exclusively to the maintenance of the revenue, which would have to be incurred if the manufacture on the part of the Government were wholly abandoned, and the revenue derived by an excise on manufactured, and a Customs' duty on imported salt."

20. The Government, therefore, considering, apparently, that the Honourable Court had sanctioned not only the principle on which the accountant's statements had been prepared, but also the details, proceeded to fix the prices of the several descriptions of salt then in store, according to the accountant's average of those years, inclusive of the salary of the agents, and upon this footing the "cost price" of the several kinds of salt manufactured on account of Government has been calculated from time to time until now. The Court of Directors reviewing these proceedings in their despatch, dated 18th August 1847, observed, "The Government state (para. 2), that in their opinion the salary and commission of salt agents should be excluded from the cost of manufacturing and storing salt, as it appeared to them more properly chargeable to the collection of revenue, is, in all probability, having to be incurred under any system for purposes of prevention. We differ from the Government in this opinion; for although it may be affirmed that some portion of the charge of the salaries of salt agents would have, under any system, to be incurred for preventive purposes, yet those officers are ostensibly and principally employed in superintending and controlling the manufacture of salt, and not in the collection of the revenue derived

The Under Secretary's letter, No. 3050, dated 18 Nov. 1846.

Mr. Secretary Halliday's letter, No. 434, dated 3 November 1847.

# THE SECRETARY TO THE GOVERNMENT OF BENGAL. 5

derived from it. We consider, therefore, that their salaries are fairly chargeable to the manufacture, and the exclusion of that item from the cost of the Government salt would undoubtedly give rise to cavils and objections on the part of importers."

21. From the following statement it will be seen that the imports of foreign salt, which up to 1844-45 were comparatively small, began to increase largely after the first reduction of duty, and that although the cost prices of Government salt have been intermediately reduced by economical arrangements to the extent noted on the margin,\* yet the imports have continued to increase until, in 1851-52, they amounted to 56½ per cent. of the whole Rowanach supply.

	1844.	1852.
*Hidgelee	- - 74	- 66
Tumlook	- - 85	- 68
Chittagong	- - 87	- 76
Arracan	- - 89	- 80
Sulkes:		
Cuttack	- - 113	- 88
Balasore	- - 118	- 75
Khorda	- - 191	- 85

	WHOLESALE.	IMPORTS.	RECURSE.	TOTAL.
	<i>Maunds.</i>	<i>Maunds.</i>	<i>Maunds.</i>	<i>Maunds.</i>
1842-43 - - -	3,870,635	892,740	- - -	4,763,375
1843-44 - - -	3,907,624	907,013	- - -	4,874,637
1844-45 - - -	4,150,346	970,595	- - -	5,120,941
1845-46 - - -	3,399,275	1,581,068	- - -	4,981,261
1846-47 - - -	3,711,446	1,466,744	- - -	5,178,190
1847-48 - - -	3,988,541	1,615,084	- - -	5,603,625
1848-49 - - -	3,318,637	1,616,256	16,450	4,943,343
1849-50 - - -	3,383,833	2,103,219	23,630	5,510,682
1850-51 - - -	2,825,106	2,601,033	35,000	5,461,133
1851-52 - - -	2,239,952	2,928,866	18,600	5,186,418

22. The result of this unexpected increase in the supply of foreign salt has, of course, been to compel the Government to contract the home-manufacture, and, in pursuance of that object, to abolish the agency of the 24 pergunahs, to suspend the manufacture for an indefinite period in Chittagong, and to limit it in Cuttack to the quantity required for local consumption. The provision in the remaining agencies has also become less than in former years, and is likely, unless measures can be taken to alter the present tendency of affairs, to be still further diminished. No salt is now manufactured along the whole line of coast from the Hooghly to the southernmost point of the Chittagong district.

23. This state of things, so injurious to the home producer and to the industrial interests of the country, appears to the Board to demand close inquiry, and, if possible, the application of a remedy. The discontinuance in any district of a manufacture in which thousands of persons have been engaged all their lives, and from which they have derived a large portion of their subsistence, is a most serious calamity, which the Government is bound to avert by every possible means consistent with the maintenance of the revenue derived from salt, and with fairness to the foreign importers.

24. The Government has long ceased professedly to derive any advantage in the way of profit from the manufacture of salt, the principle upon which wholesale prices are adjusted having been, since 1840, at least to add the fixed duty to the cost of produce, calculated on an average of three years. The system of agency manufacture is therefore pursued, not with a view to make a profit by the manufacture over and above, or otherwise than in the form of the fixed duty, but as the cheapest and most convenient form of collecting the revenue. But, in fact, the Government does unwittingly continue to derive a profit from the home-manufacture of salt, to the great advantage of the foreign trader and the injury of the home-producer, by charging upon the agency salt several items of cost, which, though apparently connected with manufacture alone, are really incurred for the purposes of collecting the revenue and preventing smuggling.

25. That this is really the case will appear clearly, if it be borne in mind, what is undoubtedly the fact, that the Government is not the *manufacturer* of the salt, but the purchaser, collector, and storer of it for revenue purposes, and that the competition is to be regarded not as between the importer and the Government, but as between the foreign manufacturer and the *mulanghee*, between the importer and the dealer, who, in the absence of Government interference, would bring the home-made salt to market.

26. Hence many of the agency charges which, so long as the Government was regarded as the manufacturer appeared to be, and on that hypothesis were no doubt rightly called manufacturing charges, must stand in a very different light when the *mulanghee* is regarded as the manufacturer, and the Government as interfering between him and the wholesale merchant, simply for the purpose of revenue.

27. If the salt now made in Bengal, instead of being collected by Government agents and stored in Government godowns, were made under the system of excise, the Government would obviously realise nothing but the fixed duty, and all charges of collection and prevention would fall on the revenue. Wherever permits were permitted to make salt under such a system, it would be necessary to employ additional establishments to supervise the works and prevent frauds on the revenue, and it is probable that the regular preventive service would also have to be augmented, because the mofussil officers of the agencies are now employed in preventing smuggling, as well as in receiving the salt from the manufacturers. All the agency expenses which are now thrown upon salt would be swept away, but instead, there would have to be incurred an outlay in proportion to the number of works licensed, and the whole of this outlay must be a charge upon the revenue.

28. There cannot be a more apposite illustration of the truth of the foregoing observations, and of the disadvantage under which the native manufacturer now labours, than that afforded by a correspondence which has recently passed between the Board and the proprietors of the Narainpore Salt Works, regarding the special establishment maintained there to supervise the manufacture. The Government is aware that salt is made at Narainpore under an excise system, the fixed duty being paid on all salt cleared from the works under Rowannah, and the proprietors disposing of the salt to the best advantage.

29. The expense of this establishment, which it is necessary to maintain, in addition to the regular preventive force of the Barriepore division, has hitherto been borne by Government, but on an application being made by other parties for permission to make salt elsewhere, on similar conditions, it appeared to the Board that the above arrangement placed the proprietors of the Narainpore works in a better position than the molungbees, and the department in a worse position as regards the former than as regards the latter; because, in the case of the Narainpore works, the Government receives nothing but the bare duty, out of which it has to pay the additional establishment, whereas in the case of the molungbees, the Government clears the whole duty, and charges the whole expense of the extra preventive (included in what is termed the manufacturing) establishment to them.

30. But the proprietors, on being called on to say why on these grounds they should not be made to bear the expense of this extra establishment, employed exclusively for the surveillance of the works, protested against being placed in a worse position than importers of foreign salt, who pay the fixed duty and nothing more, all charges of collection and prevention being paid by the Government from the revenue.

31. This objection appeared unanswerable, and hence the Board being placed in the dilemma of either continuing to do injustice to the molungbees, by paying the expense of the Narainpore establishment from the revenue, or doing injustice to the Narainpore proprietors by imposing upon them a charge from which importers are free, were under the necessity of allowing matters to remain as they were; for it was not in the power of the Board, on the one hand, to charge importers with the expense of collection, or on the other hand to transfer any part of the charges which have hitherto been assumed to constitute the cost price from salt to revenue.

32. It seems, therefore, to the Board, that, in reconsidering each item of the charge, with a view to relieve the agency salt from all charges not borne by imported salt, or by salt made under the excise system, the question to be asked is, whether the charge would be incurred by private individuals, or a joint-stock company engaged in manufacturing salt and bringing it to market, subject only to the restrictions necessary, as in the case of the Narainpore works, for the protection of the revenue. If this question cannot be answered in the affirmative, the charge must necessarily, in the Board's judgment, be one either of prevention or of collection, not of manufacture, and therefore not properly chargeable on salt, but on revenue.

33. The Honourable Court have expressed their opinion that only those charges which would have to be incurred, under any system of management, ought to be debited to revenue; and in this category they include only those charges which are not ostensibly connected with the manufacture. But in the view taken by the Board, this opinion is defective, and its operation injurious to the Bengal manufacturers in two respects; for, in the first place, the revenue ought to be charged not only with the expenses that would be incurred under any system, but with all expenses that, under a different system, would be saved altogether, and, in the next place, many of the charges which are nominally of manufacture, are, in reality, of collection, and consequently debitable to revenue. No charge, in short, which, under a system of excise would either fall on the Government or be saved altogether, ought to be included in the "cost price" of salt. Such charges are incurred for purposes of revenue, and not of manufacture.

34. It is very possible that, even after making all deductions from the cost price of agency salt, which, on the principle above explained, may be found practicable, foreign salt will still continue to compete successfully with the produce of Bengal. This is especially the case with the salt of the United Kingdom, because of the great difference in bulk between the exports and imports, the former consisting entirely of raw produce, and the latter of manufactured goods. The excess tonnage must be filled up, and it is more to the advantage of the shipowner to import salt, at however low a freight, than to send a ship in ballast, for a salt cargo is considered beneficial to the timber of a vessel, and the salt



is put on board, and landed free of all charge to him. It cannot, however, be doubted that every reduction in the cost price of home-made salt will have a tendency to remove the disadvantage under which it now suffers, and at all events the native manufacturers will have no ground, as they now have, for complaining that they are ruined, not by fair competition, but in consequence of being burdened with charges incurred by the Government solely for purposes of revenue, and not properly incidental to the manufacture.

35. The Board now proceed to apply the principle laid down in the 32d and 33d paras. to the several items of charge, as shown in the accompanying statement for 1886, B. S. prepared from the accounts furnished by the several agents.

#### I. COST PAID TO THE MOLUNGHEES.

36. This is no doubt purely a manufacturing charge, and must continue to be borne by salt. At the same time it may be observed, that the cost is somewhat higher than it would be if the trade were in the hands of private dealers, as it is perhaps impossible entirely to suppress extortion and speculation on the part of the petty officers employed in receiving the salt and paying for it, and these unauthorised perquisites must augment the price of the salt. This, however, is only to be remedied by vigilance on the part of the salt agents, and the adoption of the lowest rate consistent with a fair remuneration for the molunghee's labour.

	Rs.	a.	p.
Hidgellee -	2,64,858	15	4½
Tumlook -	3,68,930	3	3
Balsore -	1,05,923	4	6
Cuttack -	67,124	13	11
Poorce -	1,10,363	6	6
	9,16,594	11	4½

#### II. AURUNG CHARGES.

##### (a). *Fixed Establishment, Sudder and Mofussil.*

37. The cost of the Sudder and that of the Mofussil establishments, though entered as one item in the statement, seem to the Board to rest on different grounds. The former, or something analogous to it, would probably have to be incurred by private individuals, on account of the receipt, storage, and delivery of salt, and therefore it is not proposed to relieve the salt of any part of the expense incurred under that head.\* But the Mofussil establishment is employed exclusively for preventive purposes, and the cost of it, under a different system, would either be wholly saved, not to the Government only, but to the producer, whoever he might be, or incurred by the former for the purpose of maintaining an additional preventive force. If, as at Narainpore, the salt were to be made within a limited enclosure, and stored on the spot, nearly the whole of the expense incurred for Mofussil establishments under the existing agency system would be saved; and if it were to be collected from molunghees, within a given extent of country and stored at a convenient ghât, the existing preventive force would not be sufficient to prevent illicit manufacture and removal, and an additional preventive establishment, corresponding to the Mofussil establishment of the agencies, would be required. Under any circumstances, therefore, the charge of Mofussil establishment, as it is not necessarily a manufacturing charge, ought not, in the Board's opinion, to fall upon salt.

	Rs.	a.	p.
Hidgellee -	28,169	10	9
Tumlook -	24,065	-	-
Balsore -	16,157	14	11
Cuttack -	11,746	7	1
Poorce -	10,036	-	6
	91,075	1	3

##### (b). *Burkundaz Guard.*

38. This item may fairly be treated on the same principle as the salaries of agents, to be noticed presently, two-thirds being charged to revenue and one-third to salt. The burkundazes are chiefly employed to guard large accumulations of salt collected together for revenue purposes, and the value of which (rendering a guard necessary) is enhanced sixfold by the duty. Under an excise system, a single ehowkedar would suffice to guard the store of a private merchant, so far as his interests were concerned, and any additional force which the Government might require, in order to prevent the removal of the salt without payment of duty, would not be a charge upon the manufacture.

	Rs.	a.	p.
Hidgellee -	2,086	2	10
Tumlook -	2,014	12	-
Cuttack -	192	-	-
	4,292	14	10

##### (c). *Pensions.*

39. These are clearly chargeable to revenue.

	Rs.	a.	p.
Hidgellee -	120	-	-

##### (d). *Temporary*

\* It must not be forgotten, however, that a portion of the time of some of the least paid officers of the Sudder establishment is taken up with the receipt of reports and disposal of cases connected with smuggling. It is not probable that the same amount of expense would be incurred by individuals or a joint stock company.

(d). *Temporary Pokhian Establishments and Dawh Runners.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	5,488	-
Tumlook	-	6,636	8
Balasore	-	3,462	-
Cuttack	-	3,438	-
	<hr/>	19,028	8

40. These expenses appear to the Board to rest precisely on the same footing as the regular Mofussil establishment, and to be incurred only in consequence of the mode in which the Government thinks proper to collect the revenue. Under any other system they would either be saved to all parties, or incurred directly and unquestionably as a revenue charge. They ought therefore to be charged to revenue.

(e). *Ferry Establishment.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	352	7
Balasore	-	269	12
	<hr/>	622	4

41. This is not properly a charge on the salt department. Certain ferries within the limits of the Government fuel lands have been either established or resumed by the agents, and their rents appropriated. If the salt is charged with the expense of maintaining the necessary ferry establishment, it should be credited with the rents, but in fact, neither ought to be taken into account in estimating the prime cost of salt, and this item should therefore be excluded from the calculation.

(f). *Building and repairing Golahs, Bridges, Drains, &c. and Catcherries, and excavating Docks and Canals.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	4,484	5
Tumlook	-	3,234	3
Balasore	-	303	15
Poorce	-	81	15
	<hr/>	8,104	7

42. These the Board think must continue to be charged as expenses of manufacture. They would have to be incurred, perhaps to the same extent, under any system of management, by parties engaged in the trade.

(g). *Poonce Charges, Gotcha Salt Compensation, and Birtee Charity.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	3,173	8
Tumlook	-	1,741	8
	<hr/>	4,915	-

43. These are obsolete charges, which have been discontinued, and require no notice.

(h). *Temporary Bhangah Establishments, and Baskets, Jute, &c. used for Bhangah Weighment.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	4,638	-
Tumlook	-	6,129	8
Balasore	-	124	6
Poorce	-	1,249	12
	<hr/>	12,141	11

44. There are two weighments at the Hidgellie and Tumlook agencies one in the Mofussil called the "Bhangah," and the other at the golahs, called the "Purtul" or check. If the manufacture were conducted by private persons, one of these weighments would cease, as the salt would only be weighed once, whether it was purchased from the molunghees at the gulahs, or at the place of manufacture. In the latter case, an article of such small value as salt would not be weighed a second time by the dealer, though the Government, for revenue purposes, might think

it necessary to take measures to ensure the storage of all salt purchased from the molunghees. The Board therefore propose to charge the salt with the expense of the Bhangah weighment, but to debit the cost of the purtul weighment (see next paragraph) to the revenue.

(i). *Purtul, or Import Weighment.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	1,271	9
Tumlook	-	2,439	2
	<hr/>	3,710	11

45. This item, as stated in the preceding paragraph, the Board propose to debit to revenue.

(j). *Catcherries and Golah Ground-rents.*

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellie	-	13	15
Tumlook	-	600	-
Balasore	-	20	5
	<hr/>	634	5

46. This is a manufacturing charge; rent would have to be paid for premises which any private trader might occupy.

(k). *Fuel Watchers and Straw for covering Bahir Bauldees.*

47. These charges, incurred in the Cuttack agencies only, may be left as manufacturing charges.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Balasore	-	1,284	-

(l). *Zemindars Moshakira.*

48. This, as in the Cuttack province, is a payment of 1½ annas a maund to the zemindars of the province of Cuttack on all salt made within their respective zemindaries, partly as an equivalent for the use of the lands which they might otherwise devote to other purposes, and partly as a compensation to them for the profits they formerly derived from the manufacture of salt. In the former light it is doubtless a manufacturing charge, and the Board are not prepared to recommend that it should be otherwise treated. If the Government were to cease making salt in Cuttack, the payment would naturally cease,\* and the fuel lands would revert to the zemindars, but their privilege of manufacturing salt would not revive.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Balasore	-	28,246	3 4
Cuttack	-	17,899	15 3
Poorce	-	25,356	10 4
		71,502	18 94

(m). *Value of Khorak Salt to Zemindars.*

49. This is clearly a revenue and not a manufacturing charge. It occurs only in the Balasore agency, and appears to be a payment secured to the zemindars by way of compensation for the profits they enjoyed from the manufacture before the Government imposed a duty upon salt. The same amount would have to be paid to them under any circumstances, so long as a revenue continues to be derived from this source.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Balasore	-	2,018	18 5

(n). *Cost and Revenue of Surruf Salt.*

50. This is a manufacturing charge, and ought properly to be included under the first head, viz., cost paid to the molunghees.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Balasore	-	2,508	15 11

(o). *Contingencies.*

51. The details of these are not specified in the accounts rendered to the Board, but the amount is small, and the Board would propose to charge one half to manufacture, and the other moiety to revenue; to allot it in any other proportions that, on further inquiry, might be found more accurate.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellee	-	1,452	14 6
Tumlook	-	208	2 5
Balasore	-	547	11 5
Cuttack	-	1,343	6
Poorce	-	197	6 3
		3,748	3 1

## III. TRANSPORTATION CHARGES.

52. These are incurred for conveying the salt from the aurgings, or manufacturing grounds, to the agency golahs. So far as this operation, as conducted by Government, takes the salt out of the regular course of trade, which it would follow if manufactured under an excise system, the charge must be considered as one of revenue, and not of manufacture.

For instance, the whole of the salt produced in the Tumlook agency, say, 700,000 maunds, is for the convenience of Government and the security of the revenue stored at Tumlook, contiguous to the agent's office and residence, and a large proportion of it is brought from the banks of the Holdee river, and other distant aurgings. Supposing the same quantity of salt to be manufactured under an excise system, and the average quantity made at each licensed work to be 50,000 maunds (nearly double the quantity made at the Narainpore works) it is obvious that a considerable proportion of the transportation charges would be saved. The proprietor of each licensed work would store his salt at a place conveniently accessible to merchants, and from thence, as in the case of Narainpore salt, it would be conveyed, under rowannah, direct to its destination. It appears, therefore, to the Board, that only a proportion of these charges should be debited to salt. It is impossible to say exactly what that proportion is, and indeed it must differ in every agency; but on the whole the Board believe that, under an excise system, the cost of transporting the salt to the local depôts would be considerably less than one-half that incurred by Government for the same purpose. At Narainpore, the cost is nearly nominal, as the store is immediately contiguous to the works, and on the banks of a navigable river. To transfer one half of the present charges of transportation from salt to revenue appears therefore to the Board a moderate proposal, and less than in strict justice to the manufacture might be made.

	<i>Rs.</i>	<i>a.</i>	<i>p.</i>
Hidgellee	-	14,422	15 10
Tumlook	-	23,461	6 10
Balasore	-	5,229	8 8
Cuttack	-	1,740	5 7
		44,853	14 5

## IV. KHALARBE

\* It is an open question whether, under such circumstances, the proprietors of the tributary mchals would not be entitled to some compensation.

## IV. KHALAREE RENTS.

	Rs.	s.	p.
Hidgellee -	22,753	10	11
Tumlook -	3,880	9	8
	26,634	4	7

53. This item ought never to have been included in the cost price of the salt, even on a strict construction of the principle laid down by the honourable Court. The Board presume it to have been supposed by the accountant that these rents, as they are improperly called, were paid to the zemindars for the use of the khalaree lands, and would cease on the discontinuance of the manufacture; but this supposition, if formed, is certainly erroneous. The nature of the khalaree rents, or rather duty, is the agencies of the 24 pergunnahs and Chittagong, was fully investigated by a Committee in 1820; and by a resolution of Government, dated the 8th of September of that year, the amount of these rents was settled on the zemindars in perpetuity. By a subsequent resolution of Government, dated 30th March 1836, the khalaree rents paid to the zemindars of *settled* estates in Hidgellee, were declared to be of the same character, and precisely analogous to the moshairs paid in *unsettled* estates of the same district, which has already been specially excluded from the calculation of the prime cost of salt.

## V. SALARY OF AGENTS.

	Rs.	s.	p.
Hidgellee -	49,500	-	-
Tumlook -	32,400	-	-
Balsore -	17,422	3	3
Cuttack -	16,862	3	3
Pooree -	15,333	5	-
	1,27,577	11	5

54. Under this item may also be considered those of deputy and assistant salt agents, civil assistant surgeon and native doctor, and the Commissioner's salary in Cuttack.

55. These charges, it appears to the Board, are purely incidental to a Government system of manufacture, and are incurred solely for the purpose of collecting the revenue and preventing illicit manufacture. Were the manufacture and provision of the salt in private hands, it would either be necessary to employ trustworthy agents or gomasthas to look after the works, or the proprietor of the works must himself superintend the manufacture, and derive from it some remuneration for the time and labour, over and above the profit, with which, as an absentee, he might be satisfied. But the proprietors or their agents would, under those circumstances only, have to see that all salt paid for was brought into store and accounted for. It would be no business of theirs, as it is of the Government agents, to prevent other people from manufacturing salt. And the expense of employing any probable number of native agents on that footing would be very much less than the cost of a single European functionary, such as those to whom the Government find it necessary to entrust the management of an agency, whose duty is not confined to the mere purchase and delivery of salt as an article of merchandise, but comprehends the prevention of illicit manufacture, smuggling, and peculation, the prevention of extortion by the petty officers of the department, and, in short, the monopoly of an article of which the value is raised by the imposition of duty to six times its prime cost. The Board therefore propose to charge only one-third of the Bengal agents' salaries, or 10,000 rupees each to salt, and in Cuttack the difference between the salaries of the agents and those which they would draw if they were collectors only, viz. 5,000 rupees each.

The expense of deputy and assistant agents and medical officers ought, in the Board's opinion, to be borne entirely by the revenue, and no part of the salary of the Commissioner of Revenue in Cuttack (who is not paid differently from Commissioners employed exclusively in land revenue duties) should be charged to salt.

	Rs.	s.	p.
Balsore -	48,498	4	-
Cuttack -	17,082	2	-
Pooree -	54,895	8	7
	1,21,385	14	7

## VI. CHARGES FOR TRANSPORTING SALT TO SULKEA.

	Rs.	s.	p.
Balsore -	659	-	1
Cuttack -	4,609	8	6
Pooree -	13,172	5	7
	18,440	8	5

## VII. CHARGES FOR RECEIVING AND DELIVERING SALT AT SULKEA.

## VIII. COST OF ESTABLISHMENT AT SULKEA\*.

56. These are no doubt manufacturing or rather producing charges, as they would have to be incurred under any circumstances in respect to the salt of Cuttack, and to such portion

\* This item does not appear in the annexed statement, not being included in the agency accounts, but it enters into the triennial adjustment prepared by the accountant.

tion of Hidgellie salt as the first-hand dealers might think expedient to bring to market at Calcutta, instead of selling to wholesale merchants on the spot. But it is to be apprehended that these necessarily heavy charges may oblige the Government to discontinue the manufacture, except for local consumption. This indeed has already happened in Cattaek itself; and the same result is likely to follow in Khurda, the produce of which is for sale at Sulken, at a higher price than that of Hidgellie.

## IX. VALUE OF SALT LOST BY ACCIDENT.

57. Where salt is lost by accident in course of manufacture or transport (provided the latter is in the ordinary route of traffic), or even Hidgellie when stored in heaps in the aurungs, the value of the salt so lost is fairly debitable to the prime cost of the remainder, but when salt is lost in its passage to a central Government dépôt, out of the regular course of trade, or after being stored therein, the value of such salt ought to be charged to the revenue. The Government consider it necessary for revenue purposes, and in order to prevent a possible dearth of salt, to keep in store a stock of 40 or 50 lakhs of maunds in addition to the ordinary stocks in the hands of the dealers; but under an excise system no such necessity would exist, and the risk attending such a vast accumulation would be incurred neither by the Government nor by the private dealers.

	Maunds.
Hidgellie	135,719
Tumlook	30,200
	<hr/> 165,919

58. If, of the charges above detailed, those which the Board propose to charge to revenue be deducted from the present cost price of salt, it may be expected that at the next annual revision the wholesale price of the salt of the Bengal agencies may be reduced by about 15 rupees the 100 maunds, and of the Cattaek agencies by somewhat less. Supposing only the same quantity of salt to be sold by wholesale as in 1851-52, the gross proceeds would be diminished thereby by about 282,027 rupees, and as the actual expense would remain the same, the whole would be a net loss to Government, and this loss would increase in proportion to the improvement which the proposed deductions might create in the demand for home-made salt, supposing a corresponding diminution to take place in the import of foreign salt.

	Maunds.	Rs.
Bengal salt	1,535,060	at 15 p' % 2,30,289
Cattaek salt	517,380	at 10 p' % 51,738
Arrakan and Mudras		
Salt	177,840	
Total	2,230,280	282,027

59. Upon this a question arises whether the Government is to sustain this loss for the benefit of the molunghees, especially after the diminution which the salt revenue has sustained in consequence of the successive reductions of duty that have taken place since 1844. Undoubtedly, as it appears to the Board, if the measures above advocated are necessary in order to place the salt manufacturers of Bengal on a fair footing of equality with the foreign producer, and to annul the protection which the latter has enjoyed since the change in the system of regulating prices, and in the manner of conducting the sales of Government salt, was introduced, the expense necessary for the accomplishment of this object must be borne by Government. If it be thought that the result of reducing the duty upon salt is not favourable, and that the increase in consumption has not sufficiently compensated for the loss of revenue, the remedy for this is a partial re-imposition of the duty on all kinds of salt, both home and foreign, not the maintenance of an unfair charge upon one for the benefit of the other. The two questions, in fact, have no connexion with each other.

60. It may perhaps be thought, as apprehended by the Court of Directors in 1847, that the foreign producers, especially those of the United Kingdom, may cavil at the measure, and renew those objections to the mode of administering the salt revenue of Bengal, which, since the admission of foreign salt on such eminently favourable terms, have been silenced. The Government, however, as already observed, has no interest whatever, so far as the salt revenue is concerned, in maintaining the home manufacture. It is bound to take care that the industry of its native subjects is not subjected to any burdens which are not equally borne by the foreign importer, and no fear of misrepresentation or of clamour, unfounded in reason, is likely to induce it to swerve from this object when the means of attaining it are satisfactorily made out.

61. If it be asserted that, however the matter be disguised, the Government is actually the manufacturer of salt in Bengal, that it makes advancers for the salt, and that, in fact, the molunghees are its labourers and servants, who are paid according to the quantity of salt they produce, instead of by daily wages, the reply must be that this assertion is founded in error. The fact that Government is precluded from deriving profit from the purchase and sale of salt, and that it is not interested in maintaining the manufacture, and the equally certain fact that it is the molunghee alone, and not the Government, who suffers by the discontinuance of the home manufacture, and benefits by its extension, are, in the Board's opinion, altogether inconsistent with the position which, for the sake of argument, has been supposed.

62. Mr. Gordon, I am desired to add, cannot concur in the recommendation of his colleagues; he does not object to the soundness of the reasoning by which it is established that much of what is charged as the cost of home manufactured salt in this country does not belong strictly to cost; but he holds, that as it is found necessary to derive an important revenue from salt, the Government is bound to charge unavoidable expenses either to cost or to duty. If this be not done, the loss, Mr. Gordon observes, will fall inevitably on Government, and that he imagines can be ill afforded at present. The proposed diminution in the price of salt cannot be added to duty, and Mr. Gordon would therefore leave things as they are until the Government is at liberty to re-adjust the rate of duty chargeable on foreign and home salt.

I have, &c.

(signed) *Cecil Beadon,*  
Junior Secretary.

Board of Revenue, Fort William,  
29 June 1832.

MINUTE by the Most Noble the Governor of Bengal.

Salt.

1. The letter of the Revenue Board is, to my mind, a convincing paper.

I hardly concur in their views that the Government is not the manufacturer of the salt; it is, at all events, the trader in that article, and the argument remains valid.

2. For reasons which are held to be conclusive, the Government of Bengal has long raised a portion of its revenue from salt. Instead of raising this revenue by the machinery of an excise, the Government has itself monopolised the sale of the article, and has thus obtained its return to the public treasury.

3. To warrant the Government of Bengal in continuing this system, I conceive it is essential that the operation of the system should clearly involve no injustice to the importer of salt from without, or to the producer of home salt in India.

The representations of the Revenue Board, in my humble judgment, have established that, under the existing system, no injustice is done to the importer of salt, but that great and growing injustice is inflicted on the native producer of that article.

4. The importer of salt from England or from elsewhere, has a right to expect that he should not be exposed by the determination of the Government of Bengal to retain the monopoly of salt in its own hands, to any greater competition than he would have to contend with if the monopoly were abolished, and the traffic in salt, like the traffic in any other article, were carried on by ordinary traders.

The Government of Bengal, acquiescing in that principle, have long since given effect to it by establishing that the selling price of their native salt shall consist of the amount of the import duty on foreign salt, plus the cost of manufacture and conveyance for sale of the native article.

5. But I think the Revenue Board have conclusively shown, that in "the cost of manufacture and conveyance for sale," the Government have included many items which cannot correctly be classed under either of these heads, but which belong to other operations of the Government, such as collection of revenue or charges of preventive service. The selling price of the home salt has thus been enhanced beyond what the selling price would be in the hands of an ordinary trader, by the whole amount of these extraneous items. The direct effect of this has been to enable imported salt to compete with native manufactured salt so successfully, that it is thrusting the latter out of the market, while, if the selling price of native salt were what it would be in the hands of native traders, it might still hold its ground.

6. Thus the Government has unwittingly been doing a great injustice to the native producer. For by raising the selling price of his produce unduly, the Government is destroying its sale, and is thus depriving him of the employment whereby he gains his livelihood, and which he would still have retained under a system of ordinary trading, where the lower prices would probably have kept the article in the market.

7. The Revenue Board have shown that this is not a partial effect, but that it is felt so widely and severely as to call for the close and immediate attention of the Government.

8. If this Government be reproached with endeavouring to unsay its former conclusion as to the selling cost of Government salt, I reply that the conclusion of the Government has been, in my judgment, proved to be erroneous, and its calculations faulty, and that it is the duty of the Government to amend the error now that it has found it out.

The Government, in my opinion, should be far less ashamed of confessing that it has committed a blunder than of showing reluctance to remedy an injustice, lest it should at the same time be convicted of having previously blundered.

Necessity

Necessity may unfortunately compel this Government, for the present, to continue to raise an objectionable impost upon an article of first necessity, but nothing can justify the Government in pursuing, for this purpose, a system which unduly exposes a portion of its people to disadvantages that are rapidly depriving them of their means of livelihood. It is, therefore, I think, the plain duty of the Government to endeavour to remedy this evil at once, in the mode pointed out.

9. If it be objected that to do so will involve a sacrifice of revenue, I reply that, even if it should reduce the revenue, the plea cannot be admitted. This is a question of duty and justice, not one of expediency or profit. If it be admitted, as I think it must, that the people are bearing an unfair burden, it is the duty of the Government to lighten it, at whatever sacrifice.

10. It may be, too, that the imported salt, with the many advantages which it possesses to enjoy in its import over other articles of commerce, may still drive the native salt out of the market, even at its readjusted price. If this should prove to be the case, the Government will have to reconsider the question under that new aspect. Its present duty is obvious.

11. Lastly, if it should be objected that this revival of the selling price of native salt in India will create remonstrances, and raise clamour among the owners and exporters of salt from England to India, the answer is easy: the act of the Government here can be shown to be founded on justice and necessity; any clamour against it in England, therefore, will have no foundation in justice or reason, and accordingly it ought to be, and safely may be disregarded.

12. So great a change, however, cannot with propriety be carried into effect until a reference shall have been made to the Honourable Court of Directors.

Let this be done by next mail; and, as the case is urgent, an early reply should be requested.

(signed) *Dalhousie.*

11 September 1852.

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B E N G A L.

COPY of Letter from the Junior Secretary to the Board of Revenue, to the Secretary to the Government of Bengal, dated Fort William, 29 June 1852; and, of Minute thereupon by the Governor-General, dated 11 September 1852.

(*Sir John Pakington.*)

Ordered, by The House of Commons, to be Printed,  
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